

Message Text

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PAGE 01 BUCAR 09091 210643Z
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UNCLAS BUCHAREST 9091

E.O. 11652: N/A
TAGS: BBSR, RO
SUBJECT: COUNTERTRADE STUDY: REVIEW OF DRAFT

EF: A. USDOC 19480 B. BUCHAREST 8925

1. WE FOUND COUNTERTRADE (CT) STUDY TO BE WELL WRITTEN AND OF
INTEREST. OUR COMMENTS ON IT FOLLOW.

2. AT BOTTOM OF PAGE 2, CT IS CALLED A FINANCING TOOL. GIVEN
PLETHORA OF OPINIONS AND RELATIVE DARTH OF INFORMATION ON THIS
SUBJECT, WE FIND IT HARD TO BE THIS CATEGORIC. FROM OUR VANTAGE
POINT, AND BASED ON OBSERVING GOR PRACTICES, CT APPEARS TO BE
MORE OF A MARKETING TOOL THAN FINANCIAL ONE. ROMANIAN FTOS HAVE
PROVEN TO BE VERY CAPABLE, HARD-NOSE BUYERS, WHO HAVE BENEFITED
FROM THE WORLD BUYERS' MARKET CAUSED BY ECONOMIC SLOWDOWN IN
THE WEST AND JAPAN. MEANWHILE, THESE FTOS HAVE FOUND THAT THE
SAME CONTRACT NEGOTIATING TACTICS DO NOT WORK WHEN THEY TRY
TO CRACK EXPORT MARKETS WITH PRODUCTS THAT HAD NOT PREVIOUSLY
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BEEN EXPORTED FOR HARD CURRENCY. ONE PRIME EXAMPLE IS THAT
BECAUSE OF TRAVEL AND BUDGET CONSTRAINTS, FTO OFFICIALS RARELY
VISIT POTENTIAL BUYERS TO PEDDLE THEIR WARES; RATHER, THEY WAIT
FOR BUYERS TO COME TO BUCHAREST FIRST. IN MANY INSTANCES, THE
CLOSEST THING TO A WESTERN BUYER THAT FTO OFFICIALS SEE IS
WESTERN EXPORTERS. THUS, WITH FEW BUYERS AVAILABLE, FTOS FIND
THESELVES USING ALTERNATIVE MTHODS, INCLUDING CT, AS MEANS OF

MEETING EVER INCREASING EXPORT TARGETS.

3. ON PAGE 54 OF THE DRAFT, THERE IS A STATEMENT THAT READS, QUOTE, ROMANIA HAS ADOPTED A POLICY OF RESTRICTING IMPORTS WHILE EMPHASIZING EXPORTS, END QUOTE. REFERRING TO A COUNTRY WHERE FOREIGN TRADE TURNOVER GREW AT AN ESTIMATED 13.5 PERCENT IN 1977, WITH IMPORTS OUTPACING EXPORTS (ESPECIALLY FROM THE HARD CURRENCY AREA), THIS STATEMENT APPEARS TO BE OUT OF LINE. GOR OFFICIALS CONCERNED WITH FOREIGN TRADE HAVE OFTEN STATED THAT ROMANIAN WANTS TO INCREASE ITS TRADE ON BILATERALLY BALANCED BASIS; AN AIM, WHICH ON THE WHOLE, THEY APPEAR TO BE SUCCEEDING IN ACHIEVING. TWO CURRENT EXCEPTIONS TO THIS POLICY ARE ROMANIA'S TRADE WITH JAPAN AND FRANCE. TRADE WITH BOTH HAS BEEN IN IMBALANCE IN RECENT YEARS AND SITUATION WORSENEED SUBSTANTIALLY IN 1977. WHAT WE ARE SAYING HERE SHOULD NOT BE INTERPRETED AS MEANING THAT ROMANIAN FTOS DO NOT INSIST ON CT OR THAT THE PRESSURE FOR CT IS DECLINING. ON THE CONTRARY, EVERY SIGN SEEMS TO INDICATE THAT PRESSURE FOR CT WILL INCREASE IN 1978. AT SAME TIME, AND ALSO IN ATTEMPT TO ACHIEVE BALANCE IN FOREIGN TRADE TURNOVER, ROMANIAN FTOS WILL PUSH FOR MORE "COOPERATION PROJECTS" WITH WESTERN FIRMS. (ONE OF THE AIMS BEING TO MANUFACTURE OR ASSEMBLE AS MUCH OF A PIECE OF LARGE MACHINERY OR EQUIPMENT OR OF A PROJECT IN ROMANIA AS POSSIBLE SO AS TO LESSEN THE FOREIGN EXCHANGE COSTS.)

4. REGARDING THE PERCENTAGE OF CT REQUIRED BY ROMANIA, WE UNCLASSIFIED

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BELIEVE THAT THIS VARIES ACCORDING TO NATURE OF IMPORT. FOR LOW PRIORITY IMPORTS WITH MANY POTENTIAL SELLERS, 100 PERCENT CT WILL PROBABLY BE REQUIRED. FOR INTERMEDIATE PRIORITYGOODS WITH FEWER POTENTIAL SELLERS, 100 PERCENT CT MAY BE ASKED INITIALLY, BUT HAGGLING WILL REDUCE IT TO 30 PERCENT. FOR VERY HIGH PRIORITY IMPORTS WITH FEW POTENTIAL SELLERS, 30 TO 40 PERCENT CT MAY BE ASKED INITIALLY, BUT FINAL CT REQUIREMENT WILL RANGE FROM 0 TO 20 PERCENT.

5. IN MOST ROMANIAN CONTRACTS WHERE CT IS REQUIRED, THERE IS A PENALTY CLAUSE STIPULATING THAT PERCENT OF CONTRACT PRICE MUST BE PAID BY SELLER TO ROMANIAN FTO IS SELLER DOES NOT FULFILL CT REQUIREMENT. IT APPARENTLY IS COMMON PRACTICE FOR MANY WESTERN AND JAPANESE EXPORTS TO BUILD THIS PENALTY INTO COST OF EXPORT AND THEN TO IGNORE PARALLEL CT CONTRACT, PAYING PENALTY WHEN IT IS DUE.

6. REGARDING THE PARAGRAPH DEALING WITH "ROMANIA'S RIGID CT POLICIES" BEGINNING AT THE BOTTOM OF PAGE 52, WE DO NOT AGREE WITH EITHER OF THE TWO STATEMENTS IN THIS PARAGRAPH. OUR REASONS ARE BASED ON WHAT WE STATED IN PARAGRAPH 3 ABOVE AND OUR FEELING THAT MINISTRY OF FOREIGN TRADE MONITORS CAREFULLY

ROMANIA'S FOREIGN TRADE IN AN EFFORT TO ENSURE THAT IT DOES NOT BECOME DANGEROUSLY IMBALANCE. WE FEEL THAT GOR SETS EXPORT TARGETS AND IT IS THE VARIOUS PRODUCING MINISTRIES AND THEIR FTOS WHO THEN SET FOR THEMSELVES CT TARGETS BECAUSE THEY SEE THIS AS ONLY VIABLE WAY FOR THEM TO ACHIEVE THEIR RATHER AMBITIOUS GOALS.

7. COPY OF STANDARD FTO METAROM CT CONTRACT IS BEING AIR-POUCHED TO USDOC/BEWT/VERZARIU. EMBASSY ALSO SUGGESTS THAT COMMERCE SOLICIT COMPLETED FORMS FROM US BUSINESS COMMUNITY. ACTUAL CONTRACTS MAY BE MORE REVEALING THAN BLANK FORMS. AGGREY

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